

State of Maine Office of the State Treasurer

**A Reference Guide to the
Cash Management Improvement Act
Agreement for FY 2004**

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Thanks to all of your help and hard work, the State of Maine will enter into fiscal year 2004 with a solid CMIA agreement in place! This year was the first year that the Federal Management Service (FMS) made available the online Cash Management Improvement Act System (CMIAS). This allowed the Treasurer's office to create FY04's Treasury-State Agreement (TSA) online and submit it electronically.

As you know, the purpose of CMIA is to “*ensure greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States.*”

Efficiency – minimizing the time between the transfer of funds to the State and the payout of those funds for program purposes.

Effectiveness – ensuring funds will be available when requested. The Treasury-State agreement (TSA), also called the CMIA contract specifies how and when funds will be transferred under major Federal assistance programs.

Equity – compensating the party that is “out-of-pocket” when funding a Federal program. In general, interest is due to the State if it must use its own funds for program purposes when there is valid obligational authority. Interest is due from the State for the time the State holds Federal funds in its account prior to its disbursement for program purposes.

For those of you who have been involved with previous contracts, you may notice some changes in the standard “general terms” & funding techniques. FMS has streamlined much of the TSA, and while our office was hoping to tailor the contract to become more agency/program specific, we found that room for tailoring has been further reduced. Much of the explanations we had hoped to include in the contract will therefore be found in the following paragraphs. This manual is not intended to replace, but rather to explain portions of the FY04 TSA. For easy reference, all sections of this manual directly correspond to the sections in the CMIA agreement.

1.0 Agents of the Agreement

- 1.1 The authorized official for the State of Maine Treasurer's Office is the Deputy Treasurer, Holly Maffei.
- 1.2 The authorized official for the U.S. Department of the Treasury is the Assistant Commissioner, Federal Finance of the Financial Management Service (FMS).

If you have any questions, please feel free to contact the Treasurer's office. As the year progresses, your program may undergo a status change or require a new funding technique for one or more of your components. If this is the case, please notify us as soon as possible so we can begin working on an amendment.

Deputy State Treasurer – Holly Maffei; Phone: 624-7477 Email: Holly.A.Maffei@maine.gov
CMIA Coordinator – Tim Rodriguez; Phone: 624-7460 Email: Timothy.rodriguez@maine.gov

2.0 Authority

- 2.1 The authority for this Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Act of 1992 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.
- 2.2 The Cash Management Improvement Act is codified at 31 CFR Part 205. You can access the entire code at <http://fms.treas.gov/fedreg/31cfr205final.pdf> in PDF format.

If you would like some background information on CMIA, you can also browse the FMS CMIA website at <http://fms.treas.gov/cmia/index.html>.

3.0 Duration, Amending and Terminating Miscellaneous Provisions

- 3.1 This agreement shall take effect on July 1, 2003 and shall remain in effect until June 30, 2004. Please ensure that program drawdowns & expenditures follow the contract specifications beginning July 1st. Program managers are required to sign and return the acknowledgement letter stating that they have read and understand the TSA. Managers are also encouraged to make the TSA available to each member of their accounting staff.
- 3.2 Barring any amendments, these techniques will be in effect until June 30, 2004. The agreement shall be amended annually to add new programs that rise above the threshold and remove any program that no longer qualifies as a major federal program.

Again, Any significant program changes, (i.e. termination of a program, check issuance schedules) must be made known to this office as soon as possible.

- 3.3 If you also administer federal programs that fall below the threshold for a major federal program, please review 31 CFR 205 Part B. Non-major programs, although not contracted in the TSA, must also work to reduce the amount of time between fund transfers & program expenditures. These programs generally draw down funds before expenditures (pre-issuance), and are required to have only 3 days cash on hand. Programs that are found non-compliant to that rule could become incorporated into the TSA.
- 3.4 This Agreement may be terminated by either the State of Maine Treasurer's office or the Federal Management Service with 30 days' written notice. If this Agreement is terminated, FMS will prescribe the funding techniques, clearance patterns, and methods for calculating interest liabilities to be used by the State.

4.0 Programs Covered

- 4.1 Here is how the threshold for a major federal program is calculated:
(Based on most recent single audit data – SEFA 2002)

Total federal assistance expenses State of Maine FY2002: **\$1,908,342,399**

Percentage assigned by FMS (found at 31 CFR 205.5 Table A): **.6 percent**

State of Maine Threshold FY 2004 = **\$1,908,342,399 x .006 = \$11,450,054.39**

4.2 The State's threshold for major Federal assistance programs is \$11,450,054

To ensure the State's threshold provides adequate coverage, the regulations require that the threshold calculation should also be calculated using exactly ½ of the percentage assigned by FMS (found at 31 CFR 205.5 Table A). Once both thresholds are calculated, a State must compare program coverage if it used the higher or lower threshold. If the percentage of programs covered varies by more than 10% between the two thresholds, the State must lower its threshold (add programs) until the difference is less than or equal to 10%.

This is how the State of Maine calculated this portion for FY'04:

Threshold calculated using .6% = \$11,450,054.39

Coverage: 15 out of 277 programs = 5.4% program coverage

Threshold calculated using .3% = \$5,725,027.20

Coverage: 28 of 277 programs = 10.1% program coverage

Program coverage difference: 10.1% – 5.4% = 4.7% Less than 10% = OK

According to the Federal regulations, the threshold of \$11,450,054.39 is considered an adequate threshold.

The following programs meet or exceed the threshold and are not excluded in Section 4.4

10.551 Food Stamps	D.H.S
10.555 National School Lunch Program for Children	Education
14.228 Community Development Block Grants/State's Program	D.E.C.D
17.225 Unemployment Insurance – Administration	Labor
20.205 Highway Planning and Construction	Transportation
84.010 Title I grants to Local Educational Agencies	Education
84.027 Special Education – Grants to States	Education
84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States	Labor
93.558 Temporary Assistance for Needy Families	D.H.S
93.563 Child Support Enforcement	D.H.S
93.575 Child Care and Development Block Grant	D.H.S
93.658 Foster Care – Title IV-E	D.H.S
93.767 Child Health Insurance Program	D.H.S
93.778 Medical Assistance Program	D.H.S

4.3 Currently, no non-major programs are required to be covered by FMS in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205.

4.4 There are no program exclusions this year.

5.0 Entities Covered

5.1 The following are the State agencies which shall be subject to the terms of this agreement:

Department of Economic & Community Development
Department of Education
Department of Human Services
Department of Labor
Department of Transportation

If a change in organizational structure occurs within your program (i.e. new agency, instrumentality created) during the course of the year, please notify this office so that it can be included in the contract. A State Agency or instrumentality is any organization of the primary government of the State financial reporting entity, as defined by generally accepted accounting principles.

5.2 A fiscal agent is an entity that pays, collects, or holds Federal funds on behalf of the State in furtherance of a Federal program, exclusive of a private nonprofit community organization.

Affiliated Computer Services (ACS) is the Fiscal Agent for CFDA 93.558 – TANF & 10.551 Food Stamps

6.0 Funding Techniques

Funding techniques are methods by which funds are drawn down as defined by the Treasury-State Agreement. These methods are negotiated by the State Treasurer's office and the Federal Management Service. Funding techniques often rely on check clearance patterns in determining when funds are drawn down (See section 7.0 Clearance Patterns) and can be either interest neutral, or non-interest neutral.

6.1 General Terms

- 6.1.1 Exhibit I in the TSA outlines the cut-off times for requesting drawdowns from various federal entities. This schedule should be used when scheduling draws. Using this schedule assures that funds will arrive on time, or the State will receive compensation for delay in funding.
- 6.1.2 Exhibit II in the TSA outlines the clearance patterns that shall be used when drawing down funds. These clearance patterns should however be used only for components that utilize a funding technique that relies on clearance patterns (Average Clearance, Estimated Clearance, ZBA). All other funding techniques have drawdowns at set intervals not directly related to check issuance dates.
- 6.1.3 In instances where the day of average clearance falls on a Saturday, the State shall request funds for deposit on Friday. In instances where the day of average clearance falls on a Sunday, the State shall request funds for deposit on Monday. In cases where the day of average clearance falls on a day when the State is not open for business (i.e. holiday, shutdown-day), the State shall request funds for deposit the day following the scheduled day; in instances where the receipt of Federal funds is scheduled for deposit on a day when the Federal Government is not open for business, the State shall request funds for deposit the day prior to the scheduled day.

The following is a list of FEDERAL holidays:

Friday July 4, 2003	Independence Day
Monday September 1, 2003	Labor Day
Monday October 13, 2003	Columbus Day
Tuesday November 11, 2003	Veterans Day
Thursday November 27, 2003	Thanksgiving Day
Thursday December 25, 2003	Christmas Day
Thursday January 1, 2004	New Year's Day
Monday January 19, 2004	Birthday of Martin Luther King, Jr.
Monday February 16, 2004	Washington's Birthday
Monday May 31, 2004	Memorial Day

*Please check with your federal awarding agency for verification

6.2 Description of Funding Techniques

6.2.1 Standard Funding Techniques

Pre-Issuance

Funds are requested from the Federal Government no more than three days prior to the day the State makes the corresponding disbursements. This is the only non-interest neutral funding technique in the State of Maine TSA FY04. Since it is not interest neutral, the Treasurer's office must calculate the State Interest liability at the end of the year. This interest liability will then be paid back to the federal government. **All programs not included in the TSA must utilize preissuance unless specifically agreed upon by this office.**

Actual Clearance, ZBA – ACH

This funding technique will be used for only the TANF & Food Stamp payments to clients. This year, the TANF & Food Stamp programs began the Electronic Benefit Transfer System (EBT) through which clients received EBT cards that act much like a debit card. ACS, the fiscal agent for DHS, administers the software program & reconciliation of the EBT transactions. Each day, ACS requests reimbursement for the amount of TANF funds expended by TANF recipients in the past 24 hour period. DHS processes this request on the same day, and funds are transferred from the Federal government to a segregated State account, where it stays until ACS initiates a wire to receive the money. This technique is interest neutral and has a clearance pattern of 0 days.

Average Clearance

This technique requires a drawdown based on a bank clearance pattern (See section 7.0). The Treasurer's office is required to update clearance patterns every 5 years to ensure accuracy. The two major accounts for the State of Maine in this regard are the #335 (General disbursement account – State of Maine vendor checks are cut from this account) & the #343 (Payroll account).

Based on the clearance pattern for #335, the day of average clearance for State of Maine checks is 4 days. This means that on average, it takes 4 days for a check issued to be presented at a bank. A program using average clearance would therefore time its draws so that funds arrive at Treasury 4 days after each disbursement (e.g. Checks cut on Monday, funds requested on Thursday (overnight ACH), arrive on Friday).

Programs using this technique keep a spreadsheet that allows them to track requests and disbursements. Keeping good records of when funds are being received and expended ensures that both the State and the Federal government receive their due share of interest. This technique is interest neutral.

6.2.2 Administrative Costs - The State of Maine assigns unique funding techniques from 6.2.1 & 6.2.4 to cover admin costs.

6.2.3 There are no miscellaneous funding techniques contracted for the programs in the TSA FY2004.

6.2.4 State of Maine Unique Techniques

Estimated Allocation – Weekly

The State shall request funds consistently on a specific day of each week for admin (other) costs. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request for each weekly period shall be an estimate based on the cost allocation of the prior quarter and immediate cash needs. ('Immediate cash needs' are defined as specific, pending bills which are above the estimate for the current weekly period. Immediate cash needs do not include cash needs for other programs, operating cash simply drawn to provide a 'cushion,' or funds to round off a draw down.) The weekly draws will be adjusted to actual once a month when cost allocation is completed. This funding technique is interest neutral.

This technique ensures that 'hard-to-track' admin (other) costs will be drawn on a weekly, rather than monthly, basis. This drawdown should occur at the beginning of the week to ensure funds are in the account. To determine the weekly draw amount, the program will examine the previous quarter admin (other) costs and divide by the number of weeks in that quarter. This amount will be the constant amount drawn down on a weekly basis. In some cases, large upcoming bills should be taken into consideration by increasing this base estimate to cover costs. While this funding technique does not require the exact amount of admin costs to be known, it does require an adjustment to actual once a month. This can be done by either increasing or reducing the first draw after cost allocation is completed.

Actual Drawdown – Weekly

The State will drawdown funds on a weekly basis based on the actual expenditures that occurred in the past weekly period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. This funding technique is interest neutral.

This technique allows for relatively small components of a grant to be drawn for with low administrative burden. Components with this technique are tracked by spreadsheets or the MFASIS warehouse and drawn for after the

bills are charged to the account. These draws must occur regularly to ensure the drain on the cash pool is kept minimal. This drain is caused when the State of Maine fronts the money for Federal expenses. Please draw on a consistent day of the week to ensure a level-funding pattern.

Estimated Allocation Bi-weekly

The State shall request funds at bi-weekly intervals, such that they are deposited on the dollar-weighted average day of clearance for payroll payments, as specified in the appropriate clearance pattern in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request for each bi-weekly period shall be an estimate based on the cost allocation of the prior six months and immediate cash needs. ('Immediate cash needs' are defined as specific, pending bills that are above the estimate for the current weekly period. Immediate cash needs do not include cash needs for other programs, operating cash simply drawn to provide a 'cushion,' or funds to round off a draw down.) A comparison to actual costs will be done on a quarterly basis.

This technique also ensures that 'hard-to-track' admin (other) costs will be drawn on a more frequent basis than monthly. This drawdown occurs in conjunction with the administrative payroll draw, and theoretically funds the prior and upcoming week period. To determine the weekly draw amount, the program will examine the costs of admin (other) components for the previous six months. This number will then be divided by the number of biweekly periods in that period. This amount will be the base for the drawdown each bi-week. In some cases, large upcoming bills should be taken into consideration by increasing this base estimate to cover costs. While this funding technique does not require the exact amount of admin costs to be known, it does require a comparison to actual once a quarter. This comparison should be forwarded to the Treasurer's Office for review.

Estimated Clearance – DOL

The Dept. of Labor issues unemployment benefit checks out of a segregated account called the Benefit Account #369. This pattern uses a rolling 11-day payment history that is multiplied by the clearance pattern percentages to provide an aggregate percentage of funds estimated to be paid each day of the week. This technique is interest neutral.

Prorated Drawdown

The State shall request funds such that they are deposited on the dollar weighted average date of clearance for payroll payments, as specified in Exhibit I. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the drawdown shall be 1/26th of the personal services costs for the prior year. This draw shall then be adjusted to actual once a month after cost allocation has been completed. This funding technique is interest neutral.

This technique relies on consistent and accurate adjustments to actual. For example, it may be determined that 1/26th of the payroll costs for the previous year was 120,000. Therefore, on the first two payroll weeks of the month, 120,000 will be drawn. As the month ends and cost allocation is completed, it is determined that 250,079 was actually charged to the program. The difference of 10,079 would then be added to the first draw of the next month, making the next payroll draw 130,079. The rest of the month would use the 120,000 figure.

6.3 Application of Funding Techniques to Programs

6.3.1 The State shall apply the following funding techniques when requesting Federal funds for the components of the programs listed in sections 4.2 and 4.3 of this Agreement.

6.3.2 Programs

Below are programs listed in Section 4.2 and Section 4.3

Please note that the component percentages are not listed in the following pages. Please refer to the TSA for these figures. The component percentages represent how much of the entire grant each component expends. These figures will be used to determine how much of any State liability is owed the Federal government.

CFDA	Program Name	Component	Component Description	Funding Technique	Notes
10.551	Food Stamps	Payments to Beneficiaries	Food Stamp Payments	ZBA	ACS draws down the federal food stamp amount expended in the current settlement day.
10.555	National School Lunch Program	Payments to LEA's	Reimbursement to schools for free & reduced lunch	Average Clearance	The State shall draw down funds on the average day of clearance based on actual expenditures of a monthly check issuance schedule.
14.228	Community Development Block Grants/ State's Program	Direct Costs	Grants to Cities, Towns & Municipalities	Average Clearance	Funds drawn on the average day of clearance based on a weekly check issuance schedule of each Monday. Request done on Wednesday to arrive Friday.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn on the average day of clearance for State Payroll (Thursday). Request on Tuesday, arrive on Thursday.
		Admin (Other)	Travel expenses, misc. training	Actual Drawdown - Weekly	Other admin bills will be tracked and drawn down on a weekly basis each Thursday.
17.225	Unemployment Insurance	Payments to Beneficiaries	Unemployment Benefits	Estimated Clearance	Payments to Beneficiaries will be drawn based on an 11-day clearance pattern developed for the payment account. Funds will be drawn each day according to this pattern. If carried out properly, this technique will be interest neutral.
		Admin (Payroll)	Payroll	Prorated Draw	Personal Services costs will be drawn down based on 1/26 of the previous year's personal services costs. This will be drawn on the average clearance day of state payroll (Thursday) On a monthly basis, a comparison to actual expenses will be done and any variance will be adjusted. This technique, if carried out correctly will be interest neutral.
		Admin (Other)	Overhead costs, misc. bills	Estimated Allocation – Weekly	Funds drawn down on the median day of each week based on an estimate derived from previous quarter's 'admin (other)' allocation.
20.205	Highway Planning & Construction	Direct Costs	Planning & development transportation system	Average Clearance	Funds drawn on the average day of clearance based on a weekly check issuance schedule of each Monday.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Admin (Other)	Travel, misc. costs	Actual Drawdown – Weekly	Funds drawn to reimburse actual costs for past week.

84.010	Title 1 Grants to Local Educational Agencies	Payments to LEA's	To help LEA's & schools improve teaching & learning of at risk children	Average Clearance	Funds drawn on the average day of clearance based on actual expenditures of a monthly check issuance schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Admin (Other)	Misc. admin	Actual Drawdown – Weekly	Funds drawn to reimburse actual costs for past week.
		Program Improvements	Grants to schools in need	Actual Drawdown – Weekly	Funds drawn to reimburse actual costs for past week.
84.027	IDEA Special Education - Grants to States	Payments to LEA's & Unencumbered Discretionary	Payment to LEA's to assist w/free public education for children w/disabilities	Average Clearance	Funds drawn on the average day of clearance based on a monthly check issuance schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Payments for Capacity Building	Special funding for physical & curricular improvements to schools	Average Clearance	Funds drawn on the average day of clearance based on payments throughout the month.
		Encumbered Discretionary	Discretionary payments	Average Clearance	Funds drawn on the average day of clearance based on a monthly check issuance schedule.
		Admin (Other)	Misc. admin	Actual Drawdown – Weekly	Funds drawn to reimburse actual costs for past week.
84.126	Rehabilitation Services - Voc Rehab	Payment For Clients	Payments to clients & Contract Payments	Average Clearance	Funds drawn down each day based on a daily issuance schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn on the average day of clearance for State Payroll (Thursday). Request on Thursday, arrive by wire same day.
		Admin (Other)	Overhead, travel expenses, miscellaneous monthly expenses	Estimated Allocation – Weekly	Funds drawn down on the median day of each week based on estimate derived from previous quarter's 'admin (other)' allocation.
93.558	TANF	Payments to Clients	TANF recipients via EBT Card	ZBA	The State shall draw down funds expended during previous day transactions at ACS (State Fiscal Agency).
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).

		Admin (Other)	Allocated costs, I.T. payments	Estimated Allocation - Bi-weekly	Funds drawn down on the dollar weighted average day of clearance for payroll payments. Amount is an estimate based on the previous 6 month's allocations. Draw to fund previous and upcoming week.
93.563	Child Support Enforcement	All Costs (100% Administrative)	All costs	Preissuance	CSE costs are first offset by CS collections for TANF recipients. If CSE costs exceed these collections the drawdown technique will be preissuance.
93.658	Foster Care – Title IV-E	Payments to Service Providers	Payment to care providers	Average Clearance	Funds drawn on the average day of clearance based actual expenditures of a weekly payment schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Indirect Costs	Allocated Costs	Estimated Allocation – Bi-weekly	Funds drawn down on the dollar weighted average day of clearance for payroll payments. Amount is an estimate based on the previous 6 month's allocations. Draw to fund previous and upcoming week.
93.767	State Children's Insurance Program	Payments to Service Providers	Payments to extend Medicaid program to cover more children	Average Clearance	Funds drawn on the average day of clearance based actual expenditures of a weekly payment schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Admin (Other)	Allocated Costs	Estimated Allocation – Bi-weekly	Funds drawn down on the dollar weighted average day of clearance for payroll payments. Amount is an estimate based on the previous 6 month's allocations. Draw to fund previous and upcoming week.
93.778	Medical Assistance Program (Medicaid)	Payments to Service Providers	Payments to provide health care for cash assistance recipients & others	Average Clearance	Funds drawn on the average day of clearance based actual expenditures of a weekly payment schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Admin (Other)	Allocated Costs, I.T. payments	Estimated Allocation – Bi-weekly	Funds drawn down on the dollar weighted average day of clearance for payroll payments. Amount is an estimate based on the previous 6 month's allocations. Draw to fund previous and upcoming week.
93.575	Child Care & Development Block Grant	Payments to Service Providers	Developing, promoting, & carrying out child care programs	Average Clearance	Funds drawn on the average day of clearance based actual expenditures of a weekly payment schedule.
		Admin (Payroll)	Payroll	Average Clearance	Funds drawn for administrative payroll biweekly for deposit on the average day of clearance for State Payroll (Thursday).
		Admin (Other)	Allocated Costs	Estimated Allocation – Bi-weekly	Funds drawn down on the dollar weighted average day of clearance for payroll payments. Amount is an estimate based on the previous 6 month's allocations. Draw to fund previous and upcoming week.

7.0 Clearance Patterns

- 7.1 A clearance pattern is a statistical representation showing the proportion of a total amount disbursed that is debited against the payer's bank account each day after the disbursement. It essentially represents how much is cashed and when. There are three accounts for which the Treasurer's office has developed check clearance patterns:

#335 – General Disbursement Account: This is the account that pays the vast majority of State of Maine vendors (Any vendor payment, with the exception of RE's & P9's, processed through MFASIS Accounting). This clearance pattern also includes the statistics from the EFT payment account (#400). Below is the brief version of the clearance pattern for the General disbursement account developed in 2001.

335 General Disbursement Account

Day After Issuance	% of Issuance Cashed	Dollar-weighted Factor
0	22%	.0000
1	10%	.0983
2	11%	.2200
3	7%	.2020
4	7%	.2680
5	10%	.4950
6	10%	.6030
7	9%	.5990
8	4%	.3520
9	2%	.1560
10	9%	1.5050
	100%	

Average Day of Clearance	Rounded Day of Clearance
4.4987	4

#343 – Payroll Disbursement Account: This is the payroll account for all employee payroll payments. The clearance pattern for this account also considers the clearance pattern for the direct deposit account (#434).

**#343 State of Maine
Payroll Account**

Days After Issuance	% of Issuance Cashed	Dollar-weighted Factor
0	74%	.0000
1	14%	.1379
2	6%	.1135
3	0%	.0000
4	0%	.0000
5	3%	.1470
6	2%	.0866
7	1%	.0457
8	0%	.0295
9	0%	.0179
10	0%	.2077
	100%	.7858

Average Day of Clearance	Rounded Day of Clearance
.7859	1

369 – Unemployment Compensation
 This is an account used exclusively by the
 This account is used to issue benefit payments for
 Compensation program.

Day After Issuance	Dollar- weighted Clearance Percentage of Issuance
0	0%
1	0%
2	5%
3	15%
4	8%
5	14%
6	22%
7	15%
8	6%
9	3%
10	12%
	100%

Disbursement Account:
 Department of Labor.
 the Unemployment

**#369 Unemployment Compensation
 Disbursement Account**

If you or your staff has any questions about the clearance patterns for the State of Maine, please feel free to contact this office.

7.2 Banknorth Group Inc. has developed all State of Maine clearance patterns.

7.3 During 2001, Banknorth tracked 722,647 items from the beginning of February to the end of April. For each day, the bank recorded the check number presented, the amount, and the original issue date. These statistics were used in the creation of the clearance pattern for the #335. The other two accounts were created in the same manner.

- 7.4 The State of Maine tracked the 722,647 items until 100% of these items were presented for cashing.
- 7.5 There are three pieces of information the State must identify for each check (also EFT) in the population:
1.) date of check issue 2.) date debited from State Account 3.) amount of check
- 7.6 Method of calculating the dollar-weighted average day of clearance:
1. To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared the State's account.
2. To determine the percentage of the disbursement paid out each day following issuance, the amount of the checks that clear the State's account each day shall be summed and then divided by the amount of the total disbursement.
3. For each day following issuance, the clearance time of the checks paid out that day shall be multiplied by the percentage of the total disbursement those checks represent. This product is the clearance factor.
4. The dollar-weighted average day of clearance for the disbursement shall be determined by summing the clearance factor of each day following the disbursement.
- 7.7 The State shall adjust each check clearance pattern to reflect the dollar-weighted proportion of funds paid out by EFT/Direct payroll. This was done in the initial clearance pattern constructions, accounts #400 (EFT General Disbursement) & #434 (Direct deposit Payroll Disbursement) were both included in accounts 335 & 343, respectively.
- 7.8 Each of the State's clearance patterns is calculated in calendar days. This should be kept in mind when scheduling drawdowns for average clearance components. If your program has a disbursement on a Friday, the day of average clearance includes Saturday and Sunday. For components with a 4-day clearance pattern, the drawdown to reimburse a Friday disbursement should occur on Tuesday.
- 7.9 Every five years the Treasurer's office must re-certify its clearance patterns. This will ensure current data will be used when drawing federal funds.
- 7.10 The State must ensure that all clearance patterns reflect their assigned program's clearance activity. For example, the TANF program historically has had its own clearance pattern created despite being in the #335 account. The reason for this was that the very nature of TANF payments caused a relatively short clearance time from issuance to presentation. TANF now operates under a 0 day clearance pattern due to its segregated zero balance account.

8.0 Interest Calculation Methodology

- 8.1.1 When carried out properly, the only funding technique in the State of Maine's TSA FY04 that will incur an interest liability is Pre-issuance. The following techniques, if carried out according to the specifications of this contract will be free of any interest liabilities:

Actual Clearance, ZBA - ACH

Average Clearance

Prorated Drawdown

Estimated Allocation - Bi-weekly

Estimated Clearance - DOL

Estimated Allocation - Weekly

Actual Drawdown - Weekly

8.1.2 The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities. For each disbursement, the State shall be able to identify:

1. amount of the issuance
2. date of issuance
3. date Federal funds are received and credited to a State account
4. amount of Federal funds received
5. date funds were requested

This information provides an accurate representation of CMIA compliance. Programs in the FY04 TSA will be requested by the Treasurer's office on a quarterly basis to provide the above information for a particular drawdown.

8.2 Federal Interest Liabilities

8.2.1 Federal liabilities (interest owed to the State) occur when the State pays out its own funds for program purposes prior to receiving Federal funds. This, however, occurs only when the State requests funds in a timely manner (according to Exhibit I) and does not receive them according to the schedule. Such cases should be documented and reported to Treasury during the annual interest calculation.

8.2.2 How the State calculates Federal Interest Liabilities

For all transactions where the State pays out its own funds for program purposes prior to receiving Federal funds, the State shall track each payment from the date it is paid out of a State account to the date Federal funds are subsequently credited to a State account. With regard to funds transferred out of the Federal Highway Trust Fund, if a State does not bill at least weekly for current project costs, the Federal interest liability shall not accrue prior to the day the State submits a request for funds.

In the same manner that the State accrues interest liabilities, the Federal government accrues interest liabilities also. Federal liabilities occur when an agency requests funds according to the proper cut-off times set forth in Exhibit I, but do not receive reimbursement on time. In these cases, the Federal government incurs an interest liability for each day after the day the scheduled draw should have been received.

8.3 The Unemployment Trust Fund

8.3.1 The UTF will only incur a State liability if the Estimated Clearance pattern is not followed. In such instances, DOL should record such discrepancies so that they can be properly calculated at the end of the year.

8.4 Refund Liabilities

8.4.1 Refunds in general must be used to offset the subsequent drawdowns. Refunds that are over \$50,000 **must be tracked** and reported to this office at the end of the year for interest calculations. A refund means funds that a State recovers that it previously paid out for Federal assistance program purposes. Refunds include rebates received from third parties.

8.4.2 For each refund, the State shall maintain information identifying:

1. amount of refund
2. date a refund is credited to a State account (date deposited)
3. amount & date of scheduled draw w/corresponding expenditures total
4. amount & date of **actual** draw (showing reduction by refund amount)

8.5 Exemptions

8.5.1 Where more than one State agency is a recipient of Federal funds under a program, a particular State agency's funding may be excluded from interest calculation procedures if the State agency receives an amount of funds less than 5% of the State's threshold for major Federal assistance programs. For the State of Maine, this figure is \$572,502.70. However, in no case shall less than 90% of a program's total funding be subject to interest calculation procedures. Proration of calculations: If less than total program funding is subject to interest calculation procedures, the resulting interest liability calculations shall be prorated to 100% of program funding.

8.6 State Interest Liabilities

8.6.1 The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.

8.6.2 Once a year the State of Maine Treasurer's office calculates the interest liability owed to the Federal government for programs in the TSA. This is called the annual report. This usually occurs around December and is finalized in March. During this time, the Treasurer's office will be asking program managers to report refund information (Sec. 8.4.2), instances when cash was not ordered according to the TSA (Sec. 8.1.2), and for programs using preissuance, the MFASIS coding. The following methods are used to calculate State interest liabilities on Federal funds:

8.6.3 Measuring Time Funds Are Held

Deposit to Clearance:

Deposit is defined as the date funds enter into the State of Maine Treasury. This corresponds to the Bank Validation date on a cash receipt.

Clearance is defined as the date funds are debited from the State of Maine's bank account. This corresponds to date checks are issued plus the days of average clearance.

To determine the total time Federal funds are held, Treasury will use agency records showing the date funds were credited to the State of Maine Treasury and the date those funds are paid out. From that date, Treasury will add the appropriate clearance time to determine the total time funds were held. Four dates are normally used: Bank Validation Date (from CR), PV date (from MFASIS Warehouse), Check Date (normally two business days after PV date) check clearance date (check clearance pattern).

8.6.4 Source of Data

Central Accounting System: MFASIS & TAMI

To determine when funds are 'drawn down,' the Treasurer's office relies on agency reporting. This information is verified using the TAMI system (bank validation date) and actual bank reconciliation statements. To determine when funds are 'expended,' the Treasurer's office relies again on agency reporting and verification by the MFASIS warehouse.

8.6.5 Standards Applied

The Treasurer's office uses the average daily balance in an account to determine the interest liability owed to the Federal government.

8.6.6 Calculation Procedure

Since most programs in this year's TSA will be using interest neutral funding techniques, the most common calculations will be for instances when cash is drawn out of compliance with the agreement or refunds are received.

For example:

Agency A issues \$100,000 on Monday out of the General disbursement account (4 day clearance pattern). The drawdown for this amount should therefore occur on Friday in the amount of \$100,000. However, instead of drawing on Friday, Agency A draws the money on Tuesday, 3 days early.

T – How long funds were advanced = Friday – Tuesday = 3 days
 ADB – Average daily balance of funds = $(100,000 \times 3) / 3 = \$100,000$
 R – Daily Interest Rate Based on 13-week Treasury bills = .0221/365 (FY 02)

$$I = ADB \times R \times T = \mathbf{\$18.16}$$

Drawing down \$100,000 3 days early would carry an \$18.16 State liability that would be paid back to the Federal government.

8.6.7 Preissuance

BIS runs a preissuance liability report which uses similar calculations based on account information during the entire year. To run this report, accurate & consistent use of account codes are necessary.

9.0 Reverse Flow Programs

Reverse flow programs are programs for which the Federal Government makes payments on behalf of a State. They are listed in the Treasury-State Agreement, provided they are major Federal assistance programs in the State. The State of Maine has no such programs in the TSA for FY'04.

10.0 Interest Calculation Costs

10.1 The U.S. Department of Treasury reimburses the State of Maine any costs associated with calculation of interest, and developing and maintaining clearance patterns in support of interest calculations. The State must justify any expenses over \$50,000.

10.2 The State of Maine Office of the Treasurer expects to incur costs related to the development of check patterns and interest calculations for FY 2004.

10.3 The State will submit all claims for reimbursement of interest calculation costs with its Annual Report in accordance with 31 CFR 205.

11.0 Non- Compliance

11.1 The provisions of 31 CFR Part 205.29 and 31 CFR Part 205.30 shall apply in cases of non-compliance with the terms of this Agreement.

12.0 Authorized Signatures

Miscellaneous Notices & FY 2004 CMIA Events

- The Treasurer's Office has begun monitoring of programs in the TSA to ensure compliance with the contract. Each quarter, the CMIA Coordinator will request program managers to supply the information described in section 8.1.2 for a sample drawdown. This must include: 1.) Amount of Issuance 2.) Date of Issuance 3.) Source documentation showing dates & amounts of disbursements

Further requests may be necessary to resolve any inconsistencies in drawdown techniques. The Treasurer's Office understands that there are obstacles to carrying out efficient cash management but also believes it can be consistently achieved. This office will work with any program to create the best circumstances for sound cash management.

- The Federal Management Service (U.S. Treasury) is planning on visiting Maine this fall to meet with agencies involved with CMIA. This should be a good forum for discussion about things that work and things that can be improved upon. FMS is the source concerning CMIA, and has a planned presentation to help agencies deal with CMIA issues. This office will keep you informed on this visit.
- November, 2003 – The annual report will begin. This is the interest calculation phase for FY 2003. This office will be calculating the interest owed the Federal Government. Treasury will be contacting program managers to report all exceptions (instances when cash was not ordered according to the TSA 2003), refunds over \$50,000, and MFASIS coding for preissuance programs.
- December 31st – Annual report due to FMS
- Treasury is looking to create a CMIA task force that can meet to discuss and solve current issues involving cash management. There are many program managers that can provide first hand insight into what makes their programs run smoothly. Other interested parties could be the Dept. of Audit & the Bureau of Accounts and Control, which are good resources that may be tapped to provide useful, and practical solutions for cash management issues. Stay tuned for more!